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Adventist HealthCare, Inc. and Controlled Entities

Consolidated Financial Statements
and Supplementary Information

December 31, 2022 and 2021

Independent Auditors' Report

To the Board of Trustees of
Adventist HealthCare, Inc. and Controlled Entities

Opinion

We have audited the consolidated financial statements of Adventist HealthCare, Inc. and Controlled Entities (the Corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2022 and 2021, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information located on pages 39-41 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Wilkes-Barre, Pennsylvania
April 27, 2023

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2022 and 2021
(In Thousands)

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 23,110	$ 37,017
Medicare advance and accelerated payments	-	85,080
Short-term investments	289,021	254,738
Assets whose use is limited	22,337	18,718
Patient accounts receivable	127,995	125,171
Other receivables	48,772	89,085
Inventories	10,670	10,328
Prepaid expenses and other current assets	12,192	11,917
Total current assets	534,097	632,054
Property and Equipment, Net	781,596	778,129
Finance Lease Right-of-Use Assets	22,354	19,990
Operating Lease Right-of-Use Assets	87,719	81,512
Assets Whose Use is Limited		
Under trust indentures and mortgage loan agreement, held by trustees and banks	161,232	182,561
Professional liability fund	13,394	14,528
Deferred compensation fund	2,023	1,977
Cash and Cash Equivalents Restricted for Capital Acquisitions	1,334	1,673
Investments and Investments in Unconsolidated Subsidiaries	20,693	29,438
Land Held for Healthcare Development	8,908	5,177
Intangible Assets, Net	7,325	7,513
Deposits and Other Noncurrent Assets	8,199	7,387
Assets Held for Sale	12,054	12,054
Total assets	$ 1,660,928	$ 1,773,993

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2022 and 2021
(In Thousands)

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 171,409	$ 159,269
Accrued compensation and related items	54,125	62,324
Interest payable	9,927	8,311
Deferred revenues	3,678	9,019
Due to third-party payors	35,066	20,727
Medicare advance and accelerated payments	-	85,080
Estimated self-insured professional liability	2,466	2,519
Current maturities of:		
Long-term obligations	16,395	13,832
Finance lease obligations	4,058	3,373
Operating lease obligations	15,280	14,587
Total current liabilities	312,404	379,041
Construction Payable	6,424	9,707
Long-Term Obligations, Net		
Bonds payable	699,343	715,656
Notes payable	4,430	6,857
Finance Lease Obligations	18,683	15,174
Operating Lease Obligations	75,421	69,478
Other Liabilities	8,636	9,515
Estimated Self-Insured Professional Liability	17,696	17,818
Total liabilities	1,143,037	1,223,246
Net Assets		
Net assets without donor restrictions	505,651	537,796
Net assets with donor restrictions	12,240	12,951
Total net assets	517,891	550,747
Total liabilities and net assets	$ 1,660,928	$ 1,773,993

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Revenues		
Net patient service revenue	$ 951,923	$ 914,726
Other revenues	175,918	163,282
COVID-19 grant income	23,741	76,268
Total revenues	1,151,582	1,154,276
Expenses		
Salaries and wages	471,005	428,251
Employee benefits	76,112	81,799
Contract labor	199,690	187,907
Medical supplies	129,899	133,024
General and administrative	122,155	139,161
Building and maintenance	58,123	83,785
Insurance	5,420	13,579
Interest	25,753	25,152
Depreciation and amortization	62,159	48,674
Total expenses	1,150,316	1,141,332
Income from operations	1,266	12,944
Other (Expense) Income		
Investment (loss) income	(6,641)	11,410
Other loss	(8,182)	(6)
Loss on extinguishment of debt	-	(750)
Total other (expense) income	(14,823)	10,654
Revenues (less than) in excess of expenses from continuing operations	(13,557)	23,598
Change in Net Unrealized Gains and Losses on Investments in Debt Securities	(21,815)	(5,489)
Net Assets Released From Restrictions for Purchases of Property and Equipment	3,145	5,697
Deferred Compensation Plan Liability Adjustment	(72)	112
Other Net Asset Activity	1,135	701
(Decrease) increase in net assets without donor restrictions from continuing operations	(31,164)	24,619
Loss From Discontinued Operations	(981)	(225)
(Decrease) increase in net assets without donor restrictions	$ (32,145)	$ 24,394

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Net Assets Without Donor Restrictions		
Revenues (less than) in excess of expenses from continuing operations	$ (13,557)	$ 23,598
Change in net unrealized gains and losses on investments in debt securities	(21,815)	(5,489)
Net assets released from restrictions for purchase of property and equipment	3,145	5,697
Deferred compensation plan liability adjustment	(72)	112
Other net asset activity	1,135	701
(Decrease) increase in net assets without donor restriction from continuing operations	(31,164)	24,619
Loss from discontinued operations	(981)	(225)
(Decrease) increase in net assets without donor restrictions	(32,145)	24,394
Net Assets With Donor Restrictions		
Restricted gifts and donations	7,898	13,081
Net assets released from restrictions for purchase of property and equipment	(3,145)	(5,697)
Net assets released from restrictions used for operations	(5,149)	(1,765)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(332)	(13)
Change in discount of pledges receivable and provision for doubtful pledges	17	(41)
(Decrease) increase in net assets with donor restrictions	(711)	5,565
(Decrease) increase in net assets	(32,856)	29,959
Net Assets, Beginning	550,747	520,788
Net Assets, Ending	$ 517,891	$ 550,747

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Cash Flows From Operating Activities		
(Decrease) increase in net assets	$ (32,856)	$ 29,959
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	62,159	48,674
Change in operating lease right-of-use assets and obligations	18,275	18,322
Termination of operating lease right-of-use assets and obligations	-	(227)
Payments on operating lease obligations	(17,846)	(18,346)
Amortization of deferred financing costs and bond premium	(1,018)	(229)
Deferred compensation plan liability adjustment	72	(112)
Loss on extinguishment of debt	-	750
Restricted contributions and grants	(7,898)	(13,081)
Losses recognized on investments in unconsolidated subsidiaries	6,508	912
Impairment of land held for healthcare development	-	26,108
Net realized and unrealized gains and losses on investments	13,452	(5,786)
Change in net unrealized gains and losses on investments in debt securities	21,815	5,489
Change in value of beneficial interest in trusts and charitable gift obligation	332	13
Change in discount on pledges receivable and provision for doubtful pledges	(17)	41
Changes in assets and liabilities:		
Patient accounts receivable	(2,824)	(7,355)
Other receivables	40,313	(47,511)
Inventories, prepaid expenses and other current assets	(617)	(589)
Accounts payable and accrued expenses	12,140	34,595
Accrued compensation and related items	(8,199)	6,974
Interest payable	1,616	(1,001)
Deferred revenues	(5,341)	(43,493)
Estimated self-insured professional liability	(175)	400
Due to third-party payors	14,339	(170)
Medicare advance and accelerated payments	(85,080)	(55,032)
Other noncurrent assets and liabilities	(2,078)	(1,136)
Net cash provided by (used in) operating activities	27,072	(21,831)

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Cash Flows From Investing Activities		
Purchases of property and equipment	$ (62,631)	$ (90,620)
Change in investments and investments in unconsolidated subsidiaries	15,530	51,093
Purchases of land held for healthcare development	(4,031)	-
Proceeds from the sale of land for healthcare development	300	18,145
Distributions from investments in unconsolidated subsidiaries	2,334	824
Purchase of investment in unconsolidated subsidiary	(97)	(2,620)
Change in assets whose use is limited and restricted cash	22,834	(139,799)
Net cash used in investing activities	(25,761)	(162,977)
Cash Flows From Financing Activities		
Payment of financing costs	-	(2,019)
Proceeds from issuance of long-term obligations	-	187,354
Repayments on long-term obligations	(15,159)	(15,762)
Repayment of finance lease obligations	(4,260)	(2,517)
Proceeds from restricted contributions and grants	7,898	13,081
Net cash (used in) provided by financing activities	(11,521)	180,137
Net decrease in cash, cash equivalents and restricted cash and cash equivalents	(10,210)	(4,671)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	79,155	83,826
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 68,945	$ 79,155
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 28,575	$ 26,464
Supplemental Disclosure of Noncash Investing and Financing Activities		
Finance lease obligation incurred for equipment	$ 8,454	$ 10,795
Operating lease obligations incurred for right-of-use asset	$ 21,680	$ 4,360
Construction payable for property and equipment	$ 6,424	$ 9,707
Long-term debt refinanced	$ -	$ 93,570
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 23,110	$ 37,017
Cash and cash equivalents restricted for capital acquisitions	1,334	1,673
Cash and cash equivalents included in the current portion of assets whose use is limited	22,337	18,718
Cash and cash equivalents included in the noncurrent portion of assets whose use is limited	22,164	21,747
Total cash, cash equivalents and restricted cash and cash equivalents	$ 68,945	$ 79,155

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Adventist HealthCare, Inc. (AHC) is a nonstock membership corporation organized to effectuate coordinated administration of hospitals and other health care organizations through the provision of key management and administrative services. The mission of AHC is to extend God's care through the ministry of physical, mental and spiritual healing. AHC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). AHC is not exempt from income taxes for unrelated business income. AHC's sole corporate member is Mid-Atlantic Adventist HealthCare, Inc. AHC is comprised of several operating divisions and controlled entities, as follows:

Shady Grove Medical Center (SGMC) is a 371-bed acute care hospital located in Rockville, Maryland. Behavioral Health & Wellness Services (BH&WS) is a department of SGMC and as a result is reimbursed under SGMC's Global Budget Revenue Agreement. BH&WS is comprised of BH&WS - Rockville, a 117-bed psychiatric hospital.

White Oak Medical Center (WOMC) is a 213-bed acute care hospital located in Silver Spring, Maryland, which opened in August 2019.

Rehabilitation (Rehab) operates two inpatient hospitals and five outpatient locations in Maryland. The two inpatient hospitals consist of Rehab-Rockville, a 55-bed rehabilitation facility and Rehab-WOMC (relocated from Takoma Park in December 2021), a 42-bed rehabilitation facility.

Adventist HealthCare Imaging (Imaging) operates seven clinical sites and provides inpatient and outpatient imaging services at SGMC, WOMC and Adventist HealthCare Fort Washington Medical Center, Inc. (FWMC).

Adventist HealthCare Physician Enterprise (APE), formerly known as Clinical Integration Services (CIS) is comprised of Adventist Medical Group (AMG). AMG is a not-for-profit entity that provides primary care and specialty care physician professional health services to the communities it serves. AHC contracted with Medical Faculty Associates, Inc. (MFA) to employ the AMG employees, through a wholly owned affiliate of MFA, in exchange for certain economic support to facilitate the growth by MFA of the AMG physician practices. In December 2017, however, AHC terminated its contract with MFA as it relates to the primary care, physiatry and endocrinology practices. The termination was effective July 2018, at which time AHC began operating the primary care, physiatry and endocrinology practices. The remaining specialty care practices transitioned back to AHC during 2021 and the contract with MFA ended. The respective operating results of the specialist practices are recorded in SGMC, WOMC and FWMC. APE also includes the administration needed to facilitate the coordination of patient care across conditions, providers and settings.

The Other Health Services (OHS) operating division is comprised of two entities. Lifework Strategies (LWS) provides employee assistance and employee wellness programs to client employees. LWS's mission is to help individuals live healthier, happier and more productive lives. Capital Choice Pathology Lab (CCPL) provides full pathology production services to client hospitals.

In May 2020, an alternate care site (ACS) opened to increase the number of beds available in the State of Maryland to care for COVID-19 patients as a result of the following sequence of events. In March 2020, the Secretary of Health within the State of Maryland identified the Takoma Park campus as a potential location for the treatment, isolation and quarantining of COVID-19 patients. On April 4, 2020, the Maryland Health Care Commission approved an Emergency Certificate of Need to establish a 200 bed ACS. In accordance with the terms of the agreement with the State of Maryland, all costs to open, operate and close and decommission the campus will be reimbursed.

The Corporation has amounts due from the State of Maryland of $20,401 and $38,883 as of December 31, 2022 and 2021, respectively, which is included in other receivables in the accompanying consolidated balance sheets. Any reimbursement received by the Corporation for services provided to patients is required to be remitted to the State of Maryland. The Corporation has amounts due to the State of Maryland of $19,476 and $23,183 as of December 31, 2022 and 2021, respectively, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. The agreement will remain in effect until the earlier of the determination by the State of Maryland and the Corporation that the ACS is no longer needed or the termination of the State of Emergency and a Catastrophic Health Emergency proclamation by the Governor of Maryland. The agreement is scheduled to terminate on April 30, 2023. The financial results of the ACS are included in OHS.

The Support Center is comprised of the Corporate Office (CO) and the AHC benefit business unit. The CO provides corporate and centralized shared service functions that benefit the entire AHC system. The AHC benefit business unit administers the self-insurance health benefit program, including health insurance, dental and vision coverage for AHC and controlled entities.

FWMC is a 31-bed acute care hospital located in Fort Washington, Maryland.

The Lourie Center for Infants and Young Children (Lourie Center) is a not-for-profit organization that specializes in the diagnosis, treatment and prevention of developmental and emotional disorders in children from birth through 10 years of age.

Adventist Home Care Services, Inc. (AHCS) is a nonstock membership corporation organized to provide home health services in Maryland and includes Adventist Home Assistance (AHA). AHA provides nonclinical assistance to homebound patients who cannot perform certain daily activities on their own.

Adventist HealthCare Urgent Care Center, Inc. (Urgent Care) was comprised of three urgent care centers located in Germantown, Laurel and Rockville, Maryland. These centers provided ambulatory services to patients without life threatening conditions, as well as occupational health screenings to the community. On December 3, 2021, Urgent Care entered into an asset purchase agreement with an unrelated party for the purchase of the Germantown, Laurel and Rockville urgent care centers which closed on February 1, 2022. AHC entered into an affiliation agreement with the unrelated party as of February 1, 2022 to become the exclusive health system affiliate for the urgent care centers through One Health Quality Alliance (OHQA).

OHQA is a physician-led clinically integrated network designed to deliver value to payors, employers and consumers through the highest quality care at a lower cost. Through this alliance, participating physicians gain access to resources to support the transition to value-based care, while maintaining their independence. Through this collaboration, OHQA aims to improve the health of patient populations and communities, while enhancing the patient experience and reducing the costs of health care. The OHQA currently has over 1,970 physician members, most of whom are on the medical staff of AHC, including primary care, orthopedics and other community and hospital-based specialists.

The Foundations operating division is comprised of Washington Adventist Hospital Foundation, Inc., d/b/a White Oak Medical Center Foundation Inc. and Shady Grove Medical Center Foundation, Inc. (collectively, the Foundations). Each are separate nonstock corporations that operate for the furtherance of each named hospital's health care objectives primarily through the solicitation of contributions, gifts and bequests. The Foundations also exist to help fund new equipment purchases and capital improvement projects for their respective hospitals.

All of the operating divisions and controlled entities mentioned above are tax-exempt under Section 501(c)(3) of the IRC.

Principles of Consolidation

The consolidated financial statements include the accounts of AHC, the controlling parent, SGMC, WOMC, Rehab, Imaging, APE, LWS, CCPL, ACS, the Support Center, FWMC, the Lourie Center, AHCS, Urgent Care, OHQA and the Foundations, which include their majority-owned subsidiaries and controlled affiliates (collectively, the Corporation). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements of the Corporation.

Reclassification

Certain 2021 amounts have been reclassified to conform to the 2022 consolidated financial statements presentation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through April 27, 2023, the date the consolidated financial statements were issued.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Maryland Health Services Cost Review Commission

Certain hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC). The HSCRC has jurisdiction over hospital reimbursement in Maryland by agreement with the Centers for Medicare and Medicaid Services (CMS). This agreement is based on a waiver from the Medicare Prospective Payment System reimbursement principles granted under Section 1814(b) of the Social Security Act. Management has filed the required forms with the HSCRC and believes all entities that fall under the HSCRC's jurisdiction comply with applicable requirements.

In January 2014, CMS approved a modernized waiver that grants Maryland (via the HSCRC) the authority to regulate hospital revenue within a rigorous annual expenditure limit. Maryland's Total Cost of Care Agreement builds on decades of innovation and equity in healthcare payment and delivery - with an aim to enhance patient care, improve health outcomes and lower costs.

As a result of the waiver, the HSCRC introduced revenue arrangements, including the Global Budget Revenue (GBR) model. The GBR methodology encourages hospitals to focus on population health strategies by establishing a fixed annual revenue cap for each GBR hospital. The agreement establishes a fixed amount of charging authority (i.e., revenue) at the beginning of the rate year. It is evergreen in nature and covers both regulated inpatient and outpatient revenues. Revenue is calculated from a base year and is adjusted annually for inflation, infrastructure requirements, population changes, performance in quality-based programs and changes in the levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services from one health system to another and from a regulated setting to an unregulated setting (or vice versa).

In 2014, AHC entered into GBR Agreements with the HSCRC for SGMC, WOMC and Shady Grove Germantown Emergency Center. FWMC also entered into a GBR agreement with the HSCRC in 2014 - prior to its affiliation with AHC. The agreements set an initial fixed amount of revenue for each entity for the period July 1, 2013 through June 30, 2014, and they have been subsequently updated on an annual basis every July 1 since that time.

The HSCRC requires rate-regulated hospitals under its jurisdiction to calculate the amount of patient charges in excess of their approved global revenue base. Undercharges are recouped through increases in the following year's rate order. Similarly, overcharges must be removed through a reduction in the next year's GBR award. The Corporation reported net overcharges of $24,279 and $11,010 as of December 31, 2022 and 2021, respectively. These price variances reflect the variance between actual patient charges and the pro-rata share of approved rate orders (adjusted for certain revenue adjustments expected to be made in a future period). The net amounts are reported as a component of net patient service revenue and patient accounts receivable in the accompanying consolidated financial statements. Since the HSCRC's rate year extends from July 1 through June 30, these amounts will continue to fluctuate until the end of the rate year as actual patient charges deviate from the total approved charging authority. At the conclusion of each rate year (June 30), the value of any overcharge liability (or undercharge asset) is amortized on the straight-line basis over the following rate year when the price variance adjustments are actually built into each entity's rate order.

Under Maryland law, charges of specialty hospitals such as Rehab are subject to review and approval by the HSCRC. The HSCRC regulations also include a provision whereby a hospital may apply for an exemption from the requirements to charge for services in accordance with the HSCRC regulations. Certain conditions regarding the percentage of revenue related to Medicare and Medicaid patients and must be met to receive the initial exemption and must be met each year thereafter. Reporting requirements as established by the HSCRC continue even if an exemption regarding charging for services is received. The Corporation's management believes Rehab met the conditions for exemption during 2022 and 2021.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and certificates of deposit purchased with original maturities of less than 90 days, excluding assets whose use is limited. For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Patient Accounts Receivable

The Corporation assesses collectability on patient contracts prior to the recognition of net patient service revenue. Patient accounts receivable are reported at their net realizable value. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and determines accounts are impaired based on changes in patient credit worthiness. Patient accounts receivable also includes management's estimate of the impact of certain undercharges to be recouped or overcharges to be paid back for inpatient and outpatient services in subsequent years rates as discussed earlier.

Other Receivables

Other receivables represent amounts due to the Corporation for charges other than providing health care services to patients, pledges from donors reported at their net realizable value and amounts obligated by the Federal Emergency Management Agency (FEMA) for eligible costs as a result of the Corporation's COVID-19 response. These services include, but are not limited to, fees from educational programs, rental of health care facility space, interest earned and management services provided to unconsolidated subsidiaries. Other receivables from FEMA as of December 31, 2022 and 2021 are $8,859 and $28,572, respectively. Other receivables are written off when they are determined to be uncollectible based on management's assessment of individual accounts.

Assets Whose Use Is Limited

Assets whose use is limited includes assets held by bond trustees under trust indentures, assets set aside as required by the Corporation's self-funded professional liability fund, assets set aside for deferred compensation agreements and those set aside in accordance with the United States Department of Housing and Urban Development (HUD) mortgage loan payable. Amounts available to meet current liabilities of the Corporation have been reclassified as current assets in the accompanying consolidated balance sheets.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Cash and cash equivalents and certificates of deposit are carried at cost which approximates fair value. The Corporation has alternative investments that represent ownership interests in managed funds. The alternative investments are stated a fair value based on the Corporation's percentage of the net asset value (NAV) of the funds and represents a practical expedient of fair value. Investments in joint ventures are accounted for using the equity method of accounting. Investment income or loss (including realized and unrealized gains and losses on investments, write-downs of the cost basis of investments in debt securities due to an other-than-temporary decline in fair value, interest and dividends) is included in the determination of revenues (less than) in excess of expenses from continuing operations unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments in debt securities are excluded from the determination of revenues (less than) in excess of expenses from continuing operations. Donor restricted investment income is reported as an increase in net assets with donor restrictions. Investments available for current operations have been classified as short-term investments in the accompanying consolidated balance sheets.

Investments and investments in unconsolidated subsidiaries includes the Corporation's investments in healthcare entities in which the Corporation has a financial interest. The Corporation follows authoritative guidance in determining whether to record such investments using the equity method.

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated balance sheets are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Inventories

Inventories of drugs, medical supplies and surgical supplies are valued at the lower of cost or net realizable value. Cost is determined primarily by the weighted average cost method.

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment losses are recognized in the consolidated statements of operations as a component of revenues (less than) in excess of expenses from continuing operations as they are determined. The Corporation reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, the Corporation calculates the estimated future net cash flows to be generated by the asset. If those future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. There were no impairment losses on property and equipment recognized in 2022 or 2021.

Leases and Right-of-Use Assets

The Corporation evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. All lease liabilities are measured as the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

Amortization of finance lease ROU assets, which is recognized on a straight-line basis over the lesser of the lease term or the estimated useful life of the asset, is included within depreciation and amortization expense in the consolidated statements of operations. Interest expense associated with finance lease obligations is included within interest expense in the consolidated statements of operations. Operating lease expense is recognized on a straight-line basis over the lease term and is included within building and maintenance expense in the consolidated statements of operations. The lease term is determined based on the date the Corporation acquires control of the leased premises or equipment through the end of the lease term. Optional renewal periods are initially not included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

Intangible Assets

The Corporation's intangible assets primarily include costs in excess of net assets acquired related to certain business acquisitions. The Corporation is amortizing certain intangible assets over a period not to exceed 40 years. Amortization of these intangible assets was $188 in 2022 and $204 in 2021. Accumulated amortization of intangible assets was $4,651 and $4,463 as of December 31, 2022 and 2021, respectively.

Goodwill, which is included in intangible assets in the accompanying consolidated balance sheets, is reviewed annually for impairment or more frequently if events or circumstances indicate the carrying amount of the goodwill will not be recoverable.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term obligations have been deferred and are being amortized over the term of the related obligation using the straight-line method. Deferred financing costs remaining as of December 31, 2022 and 2021 totaled $5,763 and $6,039, respectively, and are included in the consolidated balance sheets as a reduction of bonds payable. Amortization expense was $276 and $254 in 2022 and 2021, respectively, and is included as a component of interest expense in the consolidated statements of operations.

Due to Third-Party Payors

The Corporation receives advances from third-party payors to provide working capital for services rendered to the beneficiaries of such services. These advances are principally determined based on the timing differences between the provision of care and the anticipated payment date of the claim for service in accordance with the HSCRC's rate regulations. These advances are subject to periodic adjustment.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on reimbursable costs, the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information become available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2022 or 2021.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result, health care entities may, from time to time and in the ordinary course of business, receive requests for information and notices from government agencies regarding alleged noncompliance with those laws and regulations, some of which may result in settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. Management is not aware of any material incidents of noncompliance, however, there can be no assurance that regulatory authorities will not challenge the Corporation's compliance in the future.

Medicare Advance and Accelerated Payments

The Coronavirus Aid, Relief and Economic Security (CARES) Act included provisions to expand the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In April 2020, the Corporation received $140,112 in advance payments under this program, of which $85,080 was classified as a current liability in the accompanying consolidated balance sheets as of December 31, 2021. The proceeds received were invested in short-term investments and are separately classified on the accompanying consolidated balance sheets as of December 31, 2021.

The repayments automatically occurred through a partial offset in Medicare payments due to the Corporation for services rendered to Medicare program beneficiaries. Repayment of the advances began one year after receipt of the advances and ended approximately 17 months later (29 months from initial payment), at which time the advances were required to be repaid in full. The Corporation began repaying the Medicare advance during April 2021 and the remainder of the liability was repaid in 2022.

Estimated Self-Insured Professional Liability

The provision for estimated self-insured professional liability includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims, if any, are recognized in the Corporation's consolidated balance sheets at net realizable value.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include amounts available for use in general operations and not subject to donor restrictions. All revenues not restricted by donors as well as donor restricted contributions whose restrictions are met in the same period in which they are received, are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets with donor restrictions include amounts subjected to donor imposed restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets were released from donor restriction by satisfying their restricted purposes in the amount of $8,294 in 2022 and $7,462 in 2021.

Net assets with donor restrictions includes those whose use by the Corporation has been limited by donors to specific purposes in the amount of $12,240 and $12,951 as of December 31, 2022 and 2021, respectively.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the underlying conditions have been substantially met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Restricted funds to be used for capital acquisitions have been reported as noncurrent assets in the accompanying consolidated balance sheets, while other restricted cash and investments are included with the cash and cash equivalents of net assets without donor restrictions.

Measure of Operations

The consolidated statements of operations reflect all changes in net assets without donor restrictions, including changes from both operating and nonoperating activities. Operating revenues and expenses consist of those items that are an integral part of the Corporation's provision of healthcare and related supporting activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenues (Less than) in Excess of Expenses From Continuing Operations

The consolidated statements of operations include the determination of revenues (less than) in excess of expenses from continuing operations. Revenues (less than) in excess of expenses from continuing operations is the Corporation's performance indicator. Changes in net assets without donor restrictions which are excluded from the determination of revenues (less than) in excess of expenses from continuing operations, consistent with industry practice, include the change in net unrealized gains and losses on investments in debt securities, contributions of long-lived assets (including contributions which by donor restriction were to be used for the purpose of acquiring such long-lived assets), the deferred compensation plan liability adjustment, other net asset without donor restriction activity and the loss from discontinued operations.

Net Patient Service Revenue

Net patient service revenue is recognized at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including commercial and governmental programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Corporation bills the patients and third-party payors after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenues for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges, ultimately adjusted in accordance with the charging authority awarded at the beginning of every year by the HSCRC. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving services over multiple days. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenues for performance obligations satisfied at a point in time are generally recognized when goods or services are provided and the Corporation does not believe it is required to provide additional services to the patient. Generally, performance obligations satisfied at a point in time relate to patients receiving outpatient services in a single day. The Corporation measures the performance obligation from the commencement of the outpatient service, to the point when it is no longer required to provide services to that patient, which is generally the completion of the outpatient service.

All of the Corporation's performance obligations generally relate to contracts with a duration of less than one year, therefore, the Corporation has elected to apply the optional exemptions provided in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and as a result is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, financial assistance provided to uninsured or underinsured patients in accordance with the Corporation's policies, and/or implicit price concessions provided to uninsured or underinsured patients. The Corporation determines its estimates of contractual adjustments based on contractual agreements, its financial assistance policies and historical experience. The Corporation determines its estimates of implicit price concessions based on its historical collection experience with a respective class of patient. Certain amounts categorized as implicit price concessions under ASC 606 were previously categorized as provision for doubtful accounts. The Corporation pursues collection of amounts defined as implicit price concessions.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

COVID-19 Grant Income and Deferred Revenues

COVID-19 grant income includes amounts received from federal, state and local funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the FASB ASC 958-605 guidance for conditional contributions, and accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Corporation complies with the terms and conditions related to the purpose of the grant, rather than those that are administrative in nature.

In March 2020, the CARES Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Company received $70 and $4,596 in the years ended December 31, 2022 and 2021, respectively, related to this funding. FEMA obligated $14,078 and $28,572 for eligible costs in the years ended December 31, 2022 and 2021, respectively. The Corporation also received funding from various state and other funding sources of $4,996 in 2022 and $849 in 2021 to offset eligible expenses in accordance with the terms and conditions of the respective funding sources.

The Corporation incurred lost revenues and eligible expenses of $23,741 in 2022 and $76,268 in 2021 in accordance with the terms of the respective funding sources. These amounts were recognized and included in COVID-19 grant income in the accompanying consolidated statements of operations. A portion of the funding was also applied to eligible capital expenditures of $3,784 in 2021 and is included in net assets released from restrictions for purchase of property and equipment in the accompanying consolidated statements of operations. No portion of the funding was applied to eligible capital expenditures in 2022.

Deferred revenues include $4,597 as of December 31, 2021 of amounts received which the Corporation has determined the recognition criteria was not met as of year-end. These amounts were recognized in the year ended December 31, 2022 when the recognition criteria was met. No funding was deferred as of December 31, 2022.

The Corporation's methodology for calculating lost revenues was based on the difference between 2020 budgeted patient care revenues compared to actual patient care revenues in 2020 through 2022.

The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these consolidated financial statements were issued.

Income Taxes

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2022 or 2021.

The Corporation's policy is to recognize interest related to unrecognized tax benefits and penalties in interest expense in operating expenses.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based on financial information obtained from the patient (or their guarantor) and subsequent analysis which includes the patient's ability to pay for services rendered. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as a component of net patient service revenue or patient accounts receivable.

The Corporation maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The level of charity care provided by the Corporation amounted to $23,153 and $16,446 in 2022 and 2021, respectively.

Advertising Costs

The Corporation expenses advertising costs as they are incurred.

2. Accounting Standards

Reference Rate Reform

During March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* ASU No. 2020-04 provides optional expedients and exceptions for applying accounting principles generally accepted in the United States of America to contracts, hedging relationships and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. During December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. These amendments defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The Corporation elected the optional expedient included in ASU No, 2020-04 during 2022 that allowed for a modification to the reference rate in the Corporation's line of credit (Note 10) to be accounted for as if the modification was not substantial, and therefore, would not be accounted for as a debt extinguishment. The adoption of the practical expedient has not and is not expected to have a material effect on the consolidated financial statements.

Financial Instruments - Credit Losses

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, respectively, the FASB also issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses;* ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses;* ASU No. 2019-05 *Targeted Transition Relief*; ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*; and ASU No. 2020-03, *Codification Improvements to Financial Instruments*. ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU Nos. 2019-11 and 2020-03 amend ASU No. 2016-13 to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The Corporation is currently assessing the effect that ASU No. 2016-13 (as amended) will its results of operations, financial position and cash flows.

3. Discontinued Operations and Assets Held for Sale

In July 2019, AHC entered into an agreement to sell the Takoma Park campus to an unrelated third-party for $12,000. The opportunities for growth and expansion at the Takoma Park campus were limited, and the Corporation wanted to expand access to care throughout the Washington DC region, leading to the decision to sell the campus. The closing of the sale was delayed due to the use of the Takoma Park campus for the ACS (see Note 1). The ACS is expected to close in April 2023 and discussions are underway to determine the timing of the closing for the sale of the Takoma Park campus.

The operations on the Takoma Park Campus consisted of a walk-in clinic, which began in August 2019 and ceased operations in August 2022. The operations of the walk-in clinic is included in the loss from discontinued operations in the accompanying consolidated statements of operations.

Assets held for sale in the accompanying consolidated balance sheets is comprised of land and improvements of $264 and building and improvements of $11,790 at both December 31, 2022 and 2021, that will be sold as part of the agreement. No gain or loss on sale has been recognized for the sale in 2022 or 2021.

The loss on discontinued operations was $981 and $225 for the years ended December 31, 2022 and 2021, respectively.

4. Net Patient Service Revenue

The Corporation routinely obtains assignments of (or is otherwise entitled to receive) patient benefits receivable under their health insurance programs, plans or policies (i.e. third-party payors). Third-party payors include both government payors, which include Medicare, Medicaid and Management Care Organizations and commercial insurance carriers. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of payment arrangements with third-party payors, by service type, is as follows:

- Global Budget Revenue - SGMC, WOMC and FWMC have entered into agreements by which the third-party payors pay a percentage of approved HSCRC charges. A reduced percentage can be obtained if the payor advances a certain amount of working capital.

- Rehabilitation services - Rehab has entered into agreements by which the third-party payors pay at a contract rate per day or visit.

- Physician practice services - AMG has entered into agreements by which the third-party payors pay negotiated rates per procedures as defined in the term sheet of the agreements.

- Imaging services - Imaging has entered into agreements by which the third-party payors pay negotiated rates per procedures as defined in the term sheet of the agreements.

- Home health services - AHCS has entered into agreements by which the third-party payors pay negotiated rates on a per visit basis.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured or underinsured patients financial assistance, by either policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustments, financial assistance and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

(In Thousands)

Net patient service revenue disaggregated by service type for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Global budget revenue	$ 790,404	$ 761,918
Rehabilitation services	60,275	55,318
Physician practice services	41,172	26,359
Imaging services	32,686	32,833
Home health services	23,013	26,994
Other health services	4,373	11,304
Total	$ 951,923	$ 914,726

Net patient service revenue disaggregated by payor for the years ended December 31, 2022 and 2021 are as follows:

	Medicare	Medicaid	Other Third Party Payors	Self-Pay and Other	Total
December 31, 2022	$ 344,849	$ 77,123	$ 471,376	$ 58,575	$ 951,923
December 31, 2021	$ 329,931	$ 71,531	$ 475,667	$ 37,597	$ 914,726

5. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2022 and 2021 are comprised of the following:

	2022	2021
Cash and cash equivalents	$ 3,230	$ 9,444
Corporate bonds	90,813	100,070
Asset backed securities	89,801	112,419
Marketable equity securities	22,247	27,715
U.S. government securities:		
U.S. treasury notes	56,779	75,758
Mutual funds:		
Fixed income, short-term	-	1,381
Equity, balanced	5,120	6,634
Equity, growth	5,103	6,397
Alternative investments	15,928	-
Total	289,021	339,818
Less Medicare advance and accelerated payments	-	(85,080)
Total short-term investments	$ 289,021	$ 254,738

(In Thousands)

Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2022 and 2021 is set forth in the following tables:

	2022	2021
Under trust indentures and mortgage loan agreement, held by trustees and banks:		
Cash and cash equivalents	$ 39,641	$ 37,960
U.S. government securities:		
U.S. treasury notes	126,044	150,197
U.S. government agency notes	15,419	10,699
Total	181,104	198,856
Less funds held for current liabilities	19,872	16,295
Noncurrent portion of assets held under trust indentures and mortgage loan agreement, held by trustees and banks	$ 161,232	$ 182,561

	2022	2021
Professional liability fund:		
Cash and cash equivalents	$ 4,860	$ 2,505
Mutual funds:		
Equity, large value	2,791	3,231
Equity, growth	1,245	3,074
Fixed income, intermediate	2,287	2,882
Fixed income, multi-sector	2,130	2,475
Fixed income, short-term	2,546	2,784
Total	15,859	16,951
Less funds held for current liabilities	2,465	2,423
Noncurrent portion of professional liability fund	$ 13,394	$ 14,528

	2022	2021
Deferred compensation fund:		
Mutual funds:		
Equity, growth	$ 178	$ 294
Equity, large value	257	282
Equity, midcap value	67	98
Equity, other	490	183
Equity, international	221	300
Fixed income, multi-sector	215	267
Fixed income, intermediate	595	553
	$ 2,023	$ 1,977

The indenture requirements of certain tax-exempt financings provide for the establishment and maintenance of various accounts with a trustee (Note 11). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders.

(In Thousands)

The composition of assets whose use is limited under trust indentures and mortgage loan agreement, held by trustees and banks at December 31, 2022 and 2021 is as follows:

	2022	2021
Debt service reserve funds	$ 24,619	$ 25,329
Principal and interest funds	30,675	31,570
Project fund	124,436	140,258
Mortgage reserve funds	1,374	1,699
Total	$ 181,104	$ 198,856

Investment (loss) income and gains and losses for investments, assets whose use is limited and cash and cash equivalents without donor restrictions are comprised of the following in 2022 and 2021:

	2022	2021
Investment (loss) income:		
Interest and dividends, net	$ 6,489	$ 5,058
Interest on trustee held funds	322	566
Net realized and unrealized gains and losses on investments	(13,452)	5,786
Total	$ (6,641)	$ 11,410

	2022	2021
Other changes in net assets without donor restrictions:		
Change in net unrealized gains and losses on investments in debt securities	$ (21,815)	$ (5,489)

6. Fair Value Measurements and Financial Instruments

The Corporation measures its short-term investments, assets whose use is limited, investments and beneficial interest in trusts at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

(In Thousands)

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The fair value of the Corporation's financial instruments was measured using the following inputs at December 31:

	2022			
	Fair Value	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Reported at Fair Value				
Assets:				
Mutual funds:				
Fixed income, intermediate	$ 2,882	$ 2,882	$ -	$ -
Fixed income, multi-sector	2,345	2,345	-	-
Fixed income, short-term	2,546	2,546	-	-
Equity, international	221	221	-	-
Equity, growth	6,526	6,526	-	-
Equity, large value	3,048	3,048	-	-
Equity, balanced	5,120	5,120	-	-
Equity, midcap value	67	67	-	-
Equity, other	490	490	-	-
Marketable equity securities	22,247	22,247	-	-
U.S. government securities:				-
U.S. treasury notes	182,823	-	182,823	-
U.S. government notes	15,419	-	15,419	-
Asset backed securities	89,801	-	89,801	-
Corporate bonds	90,813	-	90,813	-
Beneficial interest in trusts	229	-	-	229
Total assets measured at fair value	424,577	$ 45,492	$ 378,856	$ 229
Cash and cash equivalents	48,598			
Alternative investments measured at net asset value	15,928			
Total	$ 489,103			

(In Thousands)

	2021			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at Fair Value				
Assets:				
Mutual funds:				
Fixed income, intermediate	$ 3,435	$ 3,435	$ -	$ -
Fixed income, multi-sector	2,742	2,742	-	-
Fixed income, short-term	4,165	4,165	-	-
Equity, international	300	300	-	-
Equity, growth	9,765	9,765	-	-
Equity, large value	3,513	3,513	-	-
Equity, balanced	6,634	6,634	-	-
Equity, midcap value	98	98	-	-
Equity, other	183	183	-	-
Marketable equity securities	27,715	27,715	-	-
U.S. government securities:				
U.S. treasury notes	225,955	-	225,955	-
U.S. government notes	10,699	-	10,699	-
Asset backed securities	112,419	-	112,419	-
Corporate bonds	100,070	-	100,070	-
Beneficial interest in trusts	566	-	-	566
Total assets measured at fair value	508,259	$ 58,550	$ 449,143	$ 566
Cash and cash equivalents	50,803			
Total	$ 559,062			

The following represents a reconciliation of the assets reported at fair value included in the fair value table within the accompanying consolidated balance sheets at December 31:

	2022	2021
Short-term investments (Note 5)	$ 289,021	$ 254,738
Medicare advance and accelerated payments (Note 5)	-	85,080
Assets whose use is limited (Note 5):		
Current portion	22,337	18,718
Under trust indentures and mortgage loan agreement, held by trustees and banks	161,232	182,561
Professional liability fund	13,394	14,528
Deferred compensation fund	2,023	1,977
Investments held by foundations, included in deposits and other noncurrent assets and investments and investments in unconsolidated subsidiaries	867	894
Beneficial interest in trusts, included in deposits and other noncurrent assets	229	566
	$ 489,103	$ 559,062

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at December 31, 2022 and 2021.

Mutual funds and marketable equity securities are valued based on quoted market prices.

U.S. government securities, asset backed securities and corporate bonds are valued based on estimated quoted market prices of similar securities.

Beneficial interest in trusts are valued based on the fair value of the trusts underlying assets which represents a proxy for discounted present value of future cash flows. Beneficial interest in trusts are included in deposits and other noncurrent assets in the accompanying consolidated balance sheets.

The Corporation has investment in alternative investments in Blackstone Real Estate Income Trust (Blackstone) and Ares Real Estate income Trust, Inc. (Ares) (collectively, the Funds) with values of $7,856 and $8,072, respectively, as of December 31, 2022. The Funds are valued based on the NAV per share of the fund which is based on the fair value of their underlying assets derived principally from or corroborated by observable market data by correlation or other means. In regard to the Funds, there are no unfunded purchase commitments as of December 31, 2022. In regard to redemption, the shares of Blackstone can be redeemed through a request for repurchase, however Blackstone limits these redemptions to no more than 2% of Blackstone's NAV per month and no more than 5% of their aggregate value per calendar quarter on the last business day of each calendar month provided that written notice of redemption is provided five business days prior. In regard to redemption of Ares, the Corporation can make a request to redeem through a request for repurchase, however Ares is not obligated to redeem any shares and may choose to redeem only some, or even none, of the shares in any particular month. If Ares approves the redemption, they will only do so on the last day of the calendar month and the redemption is limited to no more than 2% of Ares' NAV per month and no more than 5% of their aggregate value per calendar quarter. The following represents the investment strategy of each fund:

Blackstone: To acquire primarily stabilized, income-generating commercial real estate across asset classes in the United States and outside the United States, as well as in real estate debt investments. The investment strategy seeks to capitalize on Blackstone's scale and the real-time information provided by its real estate holding to identify and acquire their target investments at attractive pricing.

Ares: The fund is focused on investing in and operating a diverse portfolio of real property and investment in other real estate-related assets. The objective is to bring Ares leading institutional-quality real assets investment platform to income-focused investors, with significant diversification across real estate and real estate-related asset classes, geographies, and sectors.

(In Thousands)

7. Property and Equipment, Net

Property and equipment, net consists of the following at December 31:

	2022	2021
Land and improvements	$ 44,111	$ 42,987
Buildings and improvements	800,481	773,389
Office furniture and equipment	205,559	213,886
Computer software and hardware	135,354	138,669
Total	1,185,505	1,168,931
Less accumulated depreciation	(475,458)	(453,864)
Total	710,047	715,067
Construction in progress	71,549	63,062
Property and equipment, net	$ 781,596	$ 778,129

Depreciation expense on property and equipment was $55,881 and $47,304 in 2022 and 2021, respectively, and is included in depreciation and amortization in the accompanying consolidated statements of operations. Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2022 and 2021, the Corporation capitalized $3,420 and $659, respectively.

Construction in progress as of December 31, 2022 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were $115,677 at December 31, 2022. The cost of these projects is expected to be funded through operations, borrowed funds, as well as transfers from the Corporation's related foundations.

8. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments and investments in unconsolidated subsidiaries include the following at December 31, 2022 and 2021:

	2022	2021
Investment in healthcare entities	$ 19,845	$ 28,589
Investments held by foundations	848	849
Total	$ 20,693	$ 29,438

Investment in Healthcare Entities

The Corporation recognized losses of $6,508 and $912 during 2022 and 2021, respectively, related to its ownership interest in the healthcare entities accounted for under the equity method. A brief description of these investments is presented below:

Chesapeake Potomac Regional Cancer Center (CPRCC) - CPRCC provides outpatient radiation oncology services to patients in Maryland. The Corporation had a 20% ownership interest in CPRCC. The Corporation's ownership interest in CPRCC was sold on December 31, 2021.

(In Thousands)

Doctors Regional Cancer Center (DRCC) - DRCC provides outpatient radiation oncology services to patients in Bowie and Lanham, Maryland. The Corporation had a 20% ownership interest in DRCC. The Corporations ownership interest in DRCC was sold on August 1, 2022.

Shady Grove Medical Building, LLC (SGMB) - SGMB was organized for the purpose of developing and constructing a cancer care center on the campus of SGMC. The Corporation has a 50% ownership interest in SGMB.

White-Oak AHF-1 Manager, LLC (White-Oak) - White-Oak was organized for the purpose of developing and constructing a medical office building on the White Oak campus of WOMC. The Corporation has a 48.8% ownership in White-Oak.

The Corporation had invested $259 in Advanced Health Collaborative, LLC for a 25% ownership interest. This organization was formed to share ideas and explore opportunities to enhance quality of healthcare in the state of Maryland. Advanced Health Collaborative, LLC was dissolved in 2021.

The Corporation has invested $3,885 in Advanced Health Collaborative II, LLC (AHC II) for a 25% interest. AHC II was formed to hold a 24% interest in Maryland Health Advantage, LLC which is a Medicare preferred provider network providing health services to its members. Advanced Health Collaborative II, LLC (AHC II) merged into Advanced Health Collaborative III, LLC (AHC III) effective June 3, 2022.

The Corporation has invested $450 in CoreLife Adventist, LLC (CoreLife) for a 50% interest. CoreLife was formed to provide weight loss services. The Corporation determined the value of this investment was impaired during 2022, and therefore, the remaining investment of $1,773 was written-off and is included in other revenues in the accompanying consolidated statements of operations.

The Corporation has invested $6,000 in CoreLife Management Services, Inc. (CoreLife Management) for a 15% interest. CoreLife Management was formed to develop, manage and coordinate the provision of a comprehensive scope of integrated medical, nutrition, behavioral and exercise services to treat obesity and its related chronic illnesses. The Corporation determined that the value of this investment was impaired during 2022, and therefore, $3,345 of the investment was written-off and is included in other revenues in the accompanying consolidated statements of operations.

Summarized financial information related to these entities is presented below:

	2022	2021
Net revenue	$ 7,519	$ 26,258
Revenues in excess of expenses	205	607
Total assets	76,497	93,463
Total liabilities	59,361	67,451

Investments Held by Foundations

The Foundations also hold marketable debt and equity securities for funds not required to be expended in less than 90 days. These marketable securities are subject to credit and market risks.

9. Land Held for Healthcare Development

From 2002 through 2011, the Corporation acquired various parcels of land in Clarksburg, Maryland totaling approximately 200 acres. Several parcels of the land are fully owned by the Corporation, and the remainder is owned by Cabin Branch Commons, LLC (Cabin Branch), of which the Corporation owns 45%.

In May 2013, the Corporation and Cabin Branch entered into a purchase and sale agreement with an unrelated third party to sell 48.8 acres of the land located in Clarksburg. In June 2015, the Corporation and Cabin Branch closed on the sale of the land at a purchase price of $28,250. The Corporation's portion of the proceeds was $25,102.

In April 2017, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 1.6 acres of the land located in Clarksburg. The Corporation closed on the sale of the land in April 2017 at a purchase price of $1,330 and the proceeds were received in April 2017.

In April 2017, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 9.95 acres of the land located in Clarksburg at a purchase price of $7,251. The Corporation's share of $4,565 was received in November and December 2018.

In December 2018, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 62.81 acres of the land located in Clarksburg at a purchase price of $18,800 and the proceeds of $18,145 were received in April and June 2021.

In May 2020, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 5.44 acres of the land located in Clarksburg at a purchase price of $2,100 which closed in 2022. Proceeds of $300 were received in September 2022, while the remaining proceeds were received in March 2023.

The total proceeds received related to the parcels of Clarksburg land sold by the Corporation through December 31, 2022 was $49,442. No gain or loss was recognized on the sale of the parcels of land as of December 31, 2022 and 2021. In 2021, the Corporation obtained an independent appraisal to assess the fair value of the remaining developable acres in Clarksburg, and as a result an impairment loss of $26,108 was recognized within building and maintenance expense on the consolidated statements of operations for the year ended December 31, 2021. The total remaining land held for healthcare development in Clarksburg as of December 31, 2022 and 2021, was $5,189 and $5,177, respectively.

In January 2022, the Corporation entered into a purchase and sale agreement with an unrelated third party to purchase 44.06 acres of land located in Fort Washington, Maryland. The Corporation closed on the purchase of the land in July 2022 at a purchase price of $3,200. The total value of this land held for healthcare development as of December 31, 2022 was $3,719.

10. Short-Term Financing

The Corporation has a $20,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 1.50% through October 2022. In October 2022, the interest rate was modified to SOFR plus 1.25% (5.38% at December 31, 2022). There were no borrowings outstanding under this line of credit as of December 31, 2022 or 2021.

(In Thousands)

11. Long-Term Obligations

Long-term obligations as of December 31, 2022 and 2021 are comprised of the following:

	2022	2021
Fixed Rate Revenue Bonds	$ 686,268	$ 698,787
Mortgage loan payable	4,992	5,727
Other long-term liabilities	753	2,658
Total obligations	692,013	707,172
Plus bond premium	33,918	35,212
Less:		
Current maturities	(16,395)	(13,832)
Deferred financing costs	(5,763)	(6,039)
Noncurrent portion of long-term obligations, net	$ 703,773	$ 722,513

Fixed Rate Revenue Bonds

Fixed Rate Revenue Bonds consist of the Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds. Fixed Rate Revenue Bonds consist of the following at December 31:

	Par Amounts	Interest Rates	2022	2021
Adventist Healthcare, Inc.:				
Series 2013	$ 15,623	3.21%	$ 4,598	$ 6,037
Series 2016A	269,750	5.00%	261,545	261,845
Series 2016B	126,395	3.72%	118,210	120,280
Series 2017	40,000	2.77%	35,060	36,350
Series 2020	18,725	4.00%	16,910	17,660
Series 2021A	48,120	5.00%	43,685	48,120
Series 2021B	138,660	4.00%-5.00%	138,660	138,660
Series 2021C	69,835	0.70%-3.76%	67,600	69,835
Total			$ 686,268	$ 698,787

In October 2021, the Maryland Health and Higher Educational Facilities Authority issued $48,120 of Hospital Revenue Bonds on behalf of the Corporation (Series 2021A). The proceeds of the Series 2021A Bonds were used for the purpose of refunding the Series 2011A and expenses incurred in connection with the issuance. The Bonds are due in varying annual installments of principal and interest through January 2036.

In September 2021, the Maryland Health and Higher Educational Facilities Authority issued $138,600 (Series 2021B) and $69,835 (Series 2021C) of Hospital Revenue Bonds on behalf of the Corporation. The proceeds of the Series 2021B Bonds were used for the purpose of setting up a construction fund for an addition and renovations to SGMC and expenses incurred in connection with the issuance. The 2021C Bonds were used to refund the Series 2014B and 2014 term loan and expenses incurred in connection with the issuance. The Series 2021B and C Bonds are due in varying annual installments of principal and interest through January 2051. In conjunction with the refunding, a $750 loss on extinguishment of debt was recognized in the accompanying consolidated statements of operations for the year ended December 31, 2021, which represents the write-off of unamortized deferred financing costs related to the Series 2014B Variable Rate Bonds and 2014 term loan.

The above bond issues are subject to trust indentures which impose various covenants on SGMC, WOMC, Rehab, Imaging, PE, Other Health Services and the Support Center (collectively, the Obligated Group) which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities and the achievement of certain pre-established financial indicators. Management believes it has complied with these required financial covenants for the years ended December 31, 2022 and 2021. Debt service reserve funds are required on the Series 2016A Bonds.

Mortgage Loan Payable

On December 23, 2004, FWMC entered into an $11,055 taxable mortgage loan insured by HUD through the Federal Housing Administration. The loan provided for the satisfaction of FWMC's previous bond obligation and for construction, new equipment and financing costs.

During the year ended December 31, 2013, the loan was refinanced through the same lender to lower the interest from 6.125% to 3.95% per annum, payable in monthly installments. The term of the loan was not changed and the last payment is due in 2030.

As of December 31, 2022 and 2021, the outstanding balance on the loan was $4,992 and $5,727, respectively, and payable in monthly installments, including interest at 3.95%. The loan is subject to restrictive covenants, including restrictions on additional long-term borrowings and prepayment of the outstanding obligation. In accordance with the terms of the Regulatory Agreement with HUD, FWMC is required to meet certain financial covenants in order to distribute assets to affiliates or incur additional indebtedness. Under the terms of the HUD-insured mortgage loan, FWMC is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited in the accompanying consolidated balance sheets. The loan is secured by FWMC's premises and all the assets and cash flows contained therein.

Other long-term obligations consist of various obligations with interest rates on these other long-term liabilities range from 2.70% to 3.40%.

(In Thousands)

Scheduled principal repayments of long-term obligations, excluding finance and operating lease obligations at December 31, 2022 are as follows:

Years ending December 31:		
2023	$	16,395
2024		16,245
2025		16,672
2026		17,278
2027		18,020
Thereafter		607,403
Total	$	692,013

12. Leases

The Corporation leases office space and equipment used in operations. For many of these leases, the Corporation is responsible for paying property taxes, insurance, as well as maintenance and repair costs. The Corporation's real estate leases generally have initial lease terms of 3 to 20 years or more and typically include one or more options to renew, with renewal terms that generally extend the lease term for an additional 5 to 10 years or more. The Corporation assesses renewal options using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore, the majority of its leases' terms do not include renewal periods for accounting purposes. For leases where the Corporation is reasonably certain to exercise its renewal option, the option periods are included within the lease term, and therefore, the measurement of the right-of-use asset and lease liability. The payment structure of the Corporation's leases generally include annual escalation clauses that are either fixed or variable in nature, some of which are dependent upon published indices. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and expenses for these leases are recognized on a straight-line basis over the lease term as an operating expense.

Certain leases include an option to purchase the leased assets. The Corporation assesses the likelihood of exercising the purchase option using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore, purchase options are generally accounted for when a compelling economic reason to exercise the option exists. Certain leases include an option to terminate the lease, the terms and condition of which vary by contract. These options allow the parties to the contract to terminate their obligations typically in return for an agreed-upon financial consideration amount. The Corporation's lease agreements do not contain material residual value guarantees.

The Corporation makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The Corporation uses a risk-free discount rate based on information available at the commencement date in determining the present value of lease payments. In order to apply the discount rate, a portfolio approach was utilized to group assets based on similar lease terms in a manner whereby the Corporation reasonably expects that the application does not differ materially from application to individual leases.

Subsequent to the lease commencement date, the Corporation reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term, or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

(In Thousands)

Future minimum payments under finance lease obligations as of December 31, 2022 were as follows:

Years ending December 31:	
2023	$ 4,656
2024	4,456
2025	4,425
2026	4,249
2027	4,249
Thereafter	2,628
Total	24,663
Less amount representing interest	1,922
Total finance lease obligations	22,741
Less current portion	4,058
Long-term obligations	$ 18,683

Future minimum payments under operating lease obligations as of December 31, 2022 were as follows:

Years ending December 31:	
2023	$ 17,921
2024	12,121
2025	10,969
2026	9,826
2027	8,476
Thereafter	47,627
Total	106,940
Lease amount representing interest	16,239
Total operating lease obligations	90,701
Less current portion	15,280
Long-term obligations	$ 75,421

Total lease costs are comprised of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Finance lease cost:		
Amortization of right-of-use asset	$ 6,090	$ 1,166
Interest on lease obligations	676	356
Operating lease cost	18,275	18,322
Total lease cost	$ 25,041	$ 19,844

(In Thousands)

Other supplemental information as of and for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Weighted-average remaining lease term:		
Finance lease obligations	5.55 years	5.89 years
Operating lease obligations	9.76 years	8.41 years
Weighted-average discount rate:		
Finance lease obligations	2.92 %	2.71 %
Operating lease obligations	3.41 %	3.45 %

Certain lease agreements contain a number of restrictive covenants that, among other things, and subject to certain exemptions, impose operating and financial restrictions on the Corporation.

13. Retirement, Health Plan and Life Insurance

Defined Contribution Retirement Plan

The Corporation sponsors a 401(a) defined contribution retirement plan, which covers substantially all full-time employees. After 12 months of full-time or regular part-time employment of at least 1,000 base hours, the Corporation will contribute a total of 2% of eligible employees' compensation, plus a matching employer contribution equal to 50% of employee contributions (to the 403(b) plan) up to 6% of base salary. The Corporation also has a 403(b) retirement savings plan for employees. Employee contributions are made to the 403(b) retirement savings plan. Retirement plan expense was $14,104 and $12,755 in 2022 and 2021, respectively.

Supplemental Executive Retirement Plan

The Corporation also has a Supplemental Executive Retirement Plan (SERP) that became effective in 2015 and covers a group of key executives. SERP expense was $(354) in 2022 and $686 in 2021. In addition, a SERP liability adjustment was recorded for $72 in 2022 and ($112) in 2021, which was recognized in net assets without donor restrictions in the consolidated statements of changes in net assets. At December 31, 2022 and 2021, the Corporation's liability for the SERP was $1,918 and $2,200, respectively, which is included in other liabilities in the consolidated balance sheets.

Executive Retention 457(F) Plan

Effective January 1, 2015, the Corporation established the Executive Retention 457(F) Plan (the 457(F) Plan). The 457(F) Plan is a tax-deferred plan offered to key executives, whereby annual employer contributions are made to the Plan. Plan participants become vested in the contributions and receive plan payments in the second calendar year after the contribution is made, if the participant is still employed. The final contribution will be made to the Plan for the year in which the plan participant becomes 62. The 457(F) Plan expense was $2,083 in 2022 and $2,385 in 2021. The Corporation's liability for the 457(F) Plan at December 31, 2022 and 2021 was $4,050 and $4,098, respectively, which is included in other liabilities in the consolidated balance sheets.

Salary Deferral (457(b)) Plan

Employees who contribute the maximum allowable amount to the 403(b) retirement plan have an opportunity to contribute additional funds on a tax-deferred basis to a 457(b) retirement plan up to the maximum tax-sheltered opportunity. There are no employer contributions to this plan.

Health Plan

The Corporation maintains a self-insurance employee program for its health insurance coverage. The Corporation accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its stop-loss insurance coverage, based upon data provided by the third-party administrator of the program and historical claims experience.

Life Insurance

Full-time and part-time employees are insured, through a third-party carrier, for an amount equal to one times their base salary at time of enrollment up to $450,000 for full-time employees and $10,000 for part-time employees. In addition, if death is caused by accident, the employee is insured for an additional benefit equal to the amount of their life insurance.

14. Commitments and Contingencies

Litigation and Claims

The Corporation is subject to asserted and unasserted claims (in addition to litigation) encountered in the ordinary course of business. In the opinion of management and after consultation with legal counsel, the Corporation has established adequate reserves related to all known matters. The outcome of any potential investigative, regulatory or prosecutorial activity that may occur in the future cannot be predicted with certainty. However, any associated potential future losses resulting from such activity could have a material adverse effect on the Corporation's future financial position, results of operations and liquidity.

Insurance

The Corporation's primary coverage for professional liability is provided through a self-funded insurance retention fund (the Fund) established on January 1, 1993. The Fund is funded based on actuarial estimates and provides coverage of $4,000,000 per occurrence with no annual aggregate limitation. The Fund also provides general liability coverage up to $1,000,000 per occurrence and $3,000,000 in the aggregate. The Corporation also carries umbrella excess liability insurance on a claims made basis with a commercial carriers, with stacked limits of $10,000,000 per occurrence and in aggregate, for a total of $20,000,000 per occurrence and in aggregate.

It is the Corporation's policy to accrue for the ultimate cost of uninsured asserted and unasserted malpractice claims, if any, when incidents occur. Based on a review of the Corporation's prior experience and incidents occurring through December 31, 2022, management determined that the fully-funded professional liability reserve reported at December 31, 2022 and 2021 is adequate in light of the program's excess umbrella policy currently in force and historical claims experience. The estimated professional liability for both asserted and unasserted claims was $20,162 and $20,337 at December 31, 2022 and 2021, respectively. The discount rate used in determining these liabilities was 2.5% at both December 31, 2022 and 2021.

The Corporation is self-insured for unemployment and workers' compensation benefits. The liability for unemployment and workers' compensation claims payable is an estimate based on the Corporation's past experience and is included in the accompanying consolidated balance sheets. It is reasonably possible that the estimates used could change materially in the near term.

Remediation

Certain buildings, which were constructed prior to the passage of the Clean Air Act, contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe fashion prior to demolition and renovation of these buildings. At this time, the Corporation has no plans to demolish or renovate these buildings and, as such, cannot reasonably estimate the fair value of the liability for such asbestos removal.

(In Thousands)

15. Business and Credit Concentrations

The Corporation grants credit to patients, substantially all of whom are local residents. The Corporation generally does not require collateral or other security in extending credit, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies.

At December 31, 2022 and 2021, concentrations of gross receivables from third-party payors and others are as follows:

	2022	2021
Medicare	16 %	19 %
Medicaid	10	11
Other third-party payors	50	48
Self-pay and others	24	22
	100 %	100 %

The Corporation maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000.

16. Liquidity and Availability

The Corporation's financial assets available for general expenditures within one year of the consolidated balance sheets date, consist of the following at December 31:

	2022	2021
Cash and cash equivalents	$ 23,110	$ 37,017
Medicare advance and accelerated payments (Note 1)	-	85,080
Short-term investments	289,021	254,738
Patient accounts receivable	127,995	125,171
Other receivables	48,772	89,085
Assets whose use is limited:		
Professional liability fund	15,859	16,951
Total	$ 504,757	$ 608,042

The Corporation has designated certain assets as available for settling professional liability claims, however, these assets could be used for general expenditures if necessary, and therefore, have been included in the information above.

As part of the Corporation's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests excess cash in short-term investments.

(In Thousands)

17. Functional Expenses

A summary of the Corporation's operating expenses by function for the year ended December 31, 2022 is as follows:

	Hospital Acute and Ambulatory Services	Home Care Services	Other Health Care Services	Other, Including General and Administrative	Fundraising	Total
Salaries and wages	$ 290,179	$ 13,616	$ 109,852	$ 57,358	$ -	$ 471,005
Employee benefits	48,977	2,290	16,588	8,257	-	76,112
Contract labor	90,645	767	106,040	2,238	-	199,690
Medical supplies	115,527	361	13,629	382	-	129,899
General and administrative	60,980	3,447	31,181	26,544	3	122,155
Building and maintenance	42,101	586	14,727	709	-	58,123
Insurance	4,355	62	511	492	-	5,420
Interest	20,675	1	1,455	3,622	-	25,753
Depreciation and amortization	41,379	157	10,013	10,610	-	62,159
Total	$ 714,818	$ 21,287	$ 303,996	$ 110,212	$ 3	$ 1,150,316

In 2022, the Corporation also incurred other health care services expenses of $981 related to the Takoma Park campus that were included in the loss from discontinued operations in the consolidated statements of operations. These expenses were comprised of miscellaneous other operating expenses related to the operations of the walk-in clinic.

A summary of the Corporation's operating expenses by function for the year ended December 31, 2021 is as follows:

	Hospital Acute and Ambulatory Services	Home Care Services	Other Health Care Services	Other, Including General and Administrative	Fundraising	Total
Salaries and wages	$ 262,218	$ 15,466	$ 95,837	$ 54,730	$ -	$ 428,251
Employee benefits	51,301	2,687	16,355	11,456	-	81,799
Contract labor	88,927	838	97,286	856	-	187,907
Medical supplies	119,439	389	13,774	(578)	-	133,024
General and administrative	64,599	3,421	39,515	31,319	307	139,161
Building and maintenance	39,811	735	15,281	27,958	-	83,785
Insurance	9,031	117	1,417	3,014	-	13,579
Interest	20,925	(3)	2,018	2,212	-	25,152
Depreciation and amortization	34,646	243	4,985	8,800	-	48,674
Total	$ 690,897	$ 23,893	$ 286,468	$ 139,767	$ 307	$ 1,141,332

In 2021, the Corporation also incurred other health care services expenses of $225 related to the Takoma Park campus that were included in the loss from discontinued operations in the consolidated statements of operations. These expenses were comprised of miscellaneous other operating expenses related to the operations of the walk-in clinic.

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2022
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging Services	Adventist HealthCare Physician Enterprise	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	One Health Quality Alliance	Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Assets																	
Current Assets																	
Cash and cash equivalents	$ 269,387	$ (120,146)	$ 16,849	$ (35,520)	$ (58,459)	$ 35,032	$ (85,928)	$ -	$ 21,215	$ (3,237)	$ 590	$ 13,425	$ (11,780)	$ (5,445)	$ 8,342	$ -	$ 23,110
Short-term investments	-	-	-	-	-	-	289,021	-	289,021	-	-	-	-	-	-	-	289,021
Assets whose use is limited	-	7,731	-	-	-	-	14,501	-	22,232	105	-	-	-	-	-	-	22,337
Patient accounts receivable	69,989	36,771	7,199	4,928	1,196	(9)	425	-	120,499	4,084	60	2,607	745	-	-	-	127,995
Other receivables	2,615	2,787	422	-	140	20,970	23,168	(1,374)	48,728	2,031	1,418	(6)	-	-	1,673	(5,072)	48,772
Inventories	4,920	4,332	121	-	-	147	-	-	9,520	1,150	-	-	-	-	-	-	10,670
Prepaid expenses and other current assets	1,452	967	138	165	16	78	9,055	-	11,871	276	-	3	-	42	-	-	12,192
Total current assets	348,363	(67,558)	24,729	(30,427)	(57,107)	56,218	250,242	(1,374)	523,086	4,409	2,068	16,029	(11,035)	(5,403)	10,015	(5,072)	534,097
Property and Equipment, Net	195,563	439,830	21,217	11,020	2,581	211	81,842	-	752,264	26,163	864	555	1,750	-	-	-	781,596
Finance Lease Right-of-Use Assets	10,891	2,817	911	4,333	-	232	3,058	-	22,242	84	-	28	-	-	-	-	22,354
Operating Lease Right-of-Use Assets	18,538	33,965	332	5,311	1,314	74	-	-	59,534	20,797	447	1,027	5,914	-	-	-	87,719
Assets Whose Use is Limited																	
Under trust indentures and mortgage loan agreement, held by trustees and banks	135,624	16,474	710	-	-	-	7,050	-	159,858	1,374	-	-	-	-	-	-	161,232
Professional liability fund	-	-	-	-	-	-	10,068	-	10,068	3,326	-	-	-	-	-	-	13,394
Deferred compensation fund	-	-	-	-	-	-	2,023	-	2,023	-	-	-	-	-	-	-	2,023
Cash and Cash Equivalents Restricted for Capital Acquisitions	-	-	225	-	-	-	-	-	225	-	347	-	-	-	762	-	1,334
Investments and Investments in Unconsolidated Subsidiaries	(2,348)	14,975	-	-	-	-	19,783	-	32,410	-	-	-	-	-	848	(12,565)	20,693
Land Held for Healthcare Development	-	-	-	-	-	-	8,908	-	8,908	-	-	-	-	-	-	-	8,908
Intangible Assets, Net	1,079	-	684	5,435	-	-	-	-	7,198	-	-	127	-	-	-	-	7,325
Deposits and Other Noncurrent Assets	261	65	54	42	18	33	5,672	-	6,145	37	-	27	63	-	1,927	-	8,199
Assets Held for Sale	-	-	-	-	-	12,054	-	-	12,054	-	-	-	-	-	-	-	12,054
Total assets	$ 707,971	$ 440,568	$ 48,862	$ (4,286)	$ (53,194)	$ 68,822	$ 388,646	$ (1,374)	$ 1,596,015	$ 56,190	$ 3,726	$ 17,793	$ (3,308)	$ (5,403)	$ 13,552	$ (17,637)	$ 1,660,928

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2022
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging Services	Adventist HealthCare Physician Enterprise	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	One Health Quality Alliance	Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Liabilities and Net Assets (Deficit)																	
Current Liabilities																	
Accounts payable and accrued expenses	$ 46,119	$ 25,442	$ 2,140	$ (3,749)	$ 1,172	$ 51,444	$ 38,176	$ -	$ 160,744	$ 14,879	$ 70	$ 417	$ 286	$ 73	$ 12	$ (5,072)	$ 171,409
Accrued compensation and related items	14,616	9,740	3,329	1,959	1,258	332	20,200	(1,374)	50,060	2,078	693	1,210	2	82	-	-	54,125
Interest payable	-	-	-	-	-	-	9,927	-	9,927	-	-	-	-	-	-	-	9,927
Deferred revenues	2,635	39	-	-	276	-	(298)	-	2,652	15	1,011	-	-	-	-	-	3,678
Due to third-party payors	14,640	19,938	(221)	-	-	-	68	-	34,425	641	-	-	-	-	-	-	35,066
Estimated self-insured professional liability	-	-	-	-	-	-	2,361	-	2,361	105	-	-	-	-	-	-	2,466
Current maturities of:																	
Long-term obligations	3,835	4,996	572	10	-	-	6,420	-	15,833	562	-	-	-	-	-	-	16,395
Finance lease obligations	1,874	470	160	846	-	41	600	-	3,991	62	-	5	-	-	-	-	4,058
Operating lease obligations	8,073	2,756	265	1,081	354	78	-	-	12,607	1,272	417	331	653	-	-	-	15,280
Total current liabilities	91,792	63,381	6,245	147	3,060	51,895	77,454	(1,374)	292,600	19,614	2,191	1,963	941	155	12	(5,072)	312,404
Construction Payable	5,825	281	9	-	-	-	295	-	6,410	14	-	-	-	-	-	-	6,424
Long-Term Obligations, Net																	
Bonds payable	269,339	350,855	3,438	-	-	-	75,711	-	699,343	-	-	-	-	-	-	-	699,343
Notes payable	-	-	-	-	-	-	-	-	-	4,430	-	-	-	-	-	-	4,430
Finance Lease Obligations	9,239	2,398	771	3,523	-	196	2,503	-	18,630	29	-	24	-	-	-	-	18,683
Operating Lease Obligations	11,504	32,285	69	4,559	1,031	-	-	-	49,448	19,653	47	760	5,513	-	-	-	75,421
Other Liabilities	1,485	27	-	-	338	-	6,743	-	8,593	-	-	-	-	-	43	-	8,636
Estimated Self-Insured Professional Liability	-	-	-	-	-	-	14,370	-	14,370	3,326	-	-	-	-	-	-	17,696
Total liabilities	389,184	449,227	10,532	8,229	4,429	52,091	177,076	(1,374)	1,089,394	47,066	2,238	2,747	6,454	155	55	(5,072)	1,143,037
Net Assets (Deficit)																	
Net assets (deficit) without donor restrictions	318,437	(9,418)	37,843	(12,515)	(57,623)	16,731	210,264	-	503,719	8,757	1,196	15,038	(9,762)	(5,558)	4,719	(12,458)	505,651
Net assets with donor restrictions	350	759	487	-	-	-	1,306	-	2,902	367	292	8	-	-	8,778	(107)	12,240
Total net assets (deficit)	318,787	(8,659)	38,330	(12,515)	(57,623)	16,731	211,570	-	506,621	9,124	1,488	15,046	(9,762)	(5,558)	13,497	(12,565)	517,891
Total liabilities and net assets (deficit)	$ 707,971	$ 440,568	$ 48,862	$ (4,286)	$ (53,194)	$ 68,822	$ 388,646	$ (1,374)	$ 1,596,015	$ 56,190	$ 3,726	$ 17,793	$ (3,308)	$ (5,403)	$ 13,552	$ (17,637)	$ 1,660,928

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2022
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging Services	Adventist HealthCare Physician Enterprise	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	One Health Quality Alliance	Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Revenues																	
Net patient service revenue	$ 461,982	$ 301,143	$ 63,810	$ 32,687	$ 9,087	$ 5	$ -	$ -	$ 868,714	$ 58,601	$ 994	$ 23,013	$ 603	$ -	$ -	$ (2)	$ 951,923
Other revenues	9,450	7,352	472	1,395	1,033	142,237	1,345	(10,693)	152,591	534	14,622	15	7,003	1,356	2,950	(3,153)	175,918
COVID-19 grant income	2,072	1,394	144	-	-	-	18,159	-	21,769	1,875	97	-	-	-	-	-	23,741
Total revenues	473,504	309,889	64,426	34,082	10,120	142,242	19,504	(10,693)	1,043,074	61,010	15,713	23,028	7,606	1,356	2,950	(3,155)	1,151,582
Expenses																	
Salaries and wages	176,439	116,680	36,316	18,752	8,026	5,117	57,358	-	418,688	27,401	9,131	13,616	1,190	947	-	32	471,005
Employee benefits	29,568	18,417	6,337	2,423	1,451	827	8,257	-	67,280	4,255	1,924	2,290	215	148	-	-	76,112
Contract labor	50,908	32,524	1,385	(581)	483	102,718	2,239	-	189,676	8,757	195	809	84	794	-	(625)	199,690
Medical supplies	56,964	53,753	2,215	2,811	681	6,637	382	-	123,443	5,832	189	361	74	-	-	-	129,899
General and administrative	36,157	26,367	5,170	(2,428)	972	22,095	26,592	(6,548)	108,377	7,743	2,583	3,450	175	256	1,857	(2,286)	122,155
Building and maintenance	29,498	12,571	3,551	4,540	1,540	4,134	932	(4,145)	52,621	3,027	807	593	1,139	-	-	(64)	58,123
Insurance	1,715	1,172	199	165	65	5	492	-	3,813	1,523	22	62	-	-	-	-	5,420
Interest	4,749	15,660	121	153	-	1,173	3,622	-	25,478	268	-	1	6	-	-	-	25,753
Depreciation and amortization	20,222	19,691	2,608	6,250	310	74	10,611	-	59,766	1,748	147	157	341	-	-	-	62,159
IT depreciation	5,630	2,648	412	76	-	24	(9,200)	-	(410)	343	-	67	-	-	-	-	-
IT services	21,458	11,653	2,108	1,177	119	131	(37,952)	-	(1,306)	612	-	694	-	-	-	-	-
Shared services	20,455	12,293	1,686	508	798	76	(39,005)	-	(3,189)	2,438	320	423	8	-	-	-	-
Management fees	9,941	5,716	1,417	494	493	146	(19,445)	-	(1,238)	-	339	875	24	-	-	-	-
Total expenses	463,704	329,145	63,525	34,340	14,938	143,157	4,883	(10,693)	1,042,999	63,947	15,657	23,398	3,256	2,145	1,857	(2,943)	1,150,316
Income (loss) from operations	9,800	(19,256)	901	(258)	(4,818)	(915)	14,621	-	75	(2,937)	56	(370)	4,350	(789)	1,093	(212)	1,266
Other (Expense) Income																	
Investment (loss) income	(1,504)	253	(84)	-	-	(9)	(5,261)	-	(6,605)	12	4	(66)	-	-	14	-	(6,641)
Other loss	(14)	-	-	-	(6,905)	-	(1,263)	-	(8,182)	-	-	-	-	-	-	-	(8,182)
Total other (expense) income	(1,518)	253	(84)	-	(6,905)	(9)	(6,524)	-	(14,787)	12	4	(66)	-	-	14	-	(14,823)
Revenues (less than) in excess of expenses from continuing operations	8,282	(19,003)	817	(258)	(11,723)	(924)	8,097	-	(14,712)	(2,925)	60	(436)	4,350	(789)	1,107	(212)	(13,557)
Change in Net Unrealized Gains and Losses on Investments in Debt Securities	(12,864)	(875)	(502)	-	-	(56)	(7,055)	-	(21,352)	-	(12)	(426)	-	-	(25)	-	(21,815)
Transfers From (to) Subsidiaries	317	22,497	27	124	-	(4,956)	(18,009)	-	-	-	-	-	-	-	-	-	-
Net Assets Released From Restrictions for Purchase of Property and Equipment	1,254	534	157		-	-	-	-	1,945	1,200	-	-	-	-	-	-	3,145
Deferred Compensation Plan Liability Adjustment	-	-	-	-	-	-	(72)	-	(72)	-	-	-	-	-	-	-	(72)
Other Net Asset Activity	185	-	-	250	-	-	700	-	1,135	-	-	-	-	-	-	-	1,135
(Decrease) increase in net assets (deficit) without donor restrictions from continuing operations	(2,826)	3,153	499	116	(11,723)	(5,936)	(16,339)	-	(33,056)	(1,725)	48	(862)	4,350	(789)	1,082	(212)	(31,164)
Loss From Discontinued Operations	-	-	-	-	-	(981)	-	-	(981)	-	-	-	-	-	-	-	(981)
(Decrease) increase in net assets (deficit) without donor restrictions	$ (2,826)	$ 3,153	$ 499	$ 116	$ (11,723)	$ (6,917)	$ (16,339)	$ -	$ (34,037)	$ (1,725)	$ 48	$ (862)	$ 4,350	$ (789)	$ 1,082	$ (212)	$ (32,145)